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THE BALKANS IN THE WORLD CRISIS

by

MABEL SATTERLEE INGALLS

with the aid of the Research Staff of the Foreign Policy Association

The author of this report recently returned from a tour of the Balkans, in the course of which she visited Albania, Bulgaria and Yugoslavia.

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INTRODUCTION

HITLER'S advent to power, and the growing fear that under his leadership the Third Reich might embark on an aggressive foreign policy have profoundly affected political alignments in Southeastern Europe. The Balkan countries, long regarded as Europe's storm centre, have sought to reconcile past differences in the face of common danger and establish some form of collaboration independent of the great powers on whose political or financial assistance they have relied since the World War. Rumania and Yugoslavia have not only cemented relations with Czechoslovakia, their partner in the Little Entente, but have opened negotiations with their former enemy, Bulgaria. Greece, which has been remarkably successful in developing amicable relations with Italy and Turkey, has played a leading part in all efforts for Balkan cooperation. The success of these negotiations will depend to a marked extent on the ability of the Balkan countries to master their internal problems without the assistance of the great powers, and on the willingness of France, Italy and Germany not to use their Balkan satellites as pawns in the larger game of European politics. This report, after analyzing internal conditions in Albania, Bulgaria, Greece, Rumania and Yugoslavia, surveys recent developments in the financial and foreign policies of the five Balkan states.[1]

1. For an earlier study of Balkan developments, cf. E. P. MacCallum, "Recent Balkan Alignments," *Foreign Policy Reports*, March 18, 1931. Two excellent general surveys contain valuable summaries of recent developments in the Balkans: Walter C. Langsam, *The World Since 1914* (New York, Macmillan, 1933, second ed.), and G. H. D. and Margaret Cole, *The Intelligent Man's Review of Europe Today* (New York, Knopf, 1933).

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ALBANIA

Albania,[2] economically and culturally the most backward of the Balkan countries, has been developed since 1926 with the aid of Italian capital, and has virtually become an Italian protectorate. Although King Zog I refused in 1931 to renew the Pact of Tirana with Italy by which the two countries had agreed to collaborate in maintaining Albania's *status quo*, the Tirana treaty of 1927 providing for an Italo-Albanian defensive alliance remains in force, and Albania continues to depend on Italian loans for its economic development.[3]

King Zog, who came to power with Italy's assistance, has attempted to break the power of local chieftains, establish a more democratic political organization, and achieve unification of the country.[4] His success in enforcing a relative measure of internal peace has permitted him to concentrate his efforts on solution of Albania's most pressing problems—education, public health and development of adequate communications. The country's extensive program of public works and roads, however, is in the hands of Italian firms, and most of the projected roads are planned by Italian authorities along strategic lines for military purposes. All government undertakings in Albania are first surveyed by Italian commissions, which decide exactly how Italian capital will be apportioned for their development. When Albania refused to renew the Pact of Tirana in 1931, Italy demanded payment of interest on the loan of $10,000,000 it had granted Albania in 1925.[4a] Albania declared that it could meet the interest only by reducing its army and curtailing public works. Negotiations for adjustment of this issue are still pending.

In 1932 Italy proposed conclusion of a customs union with Albania—a proposal which aroused the objections of other powers and was rejected by King Zog.[5] Albania has also opposed a reported scheme to settle 10,000 Italian families on its territory. Italy has meanwhile held up payment of monthly instalments due under its 1931 loan to Albania. The Albanian government has consequently been forced to suspend some of its public works, and in September 1933 reduced appropriations for national defense by 50 per cent. Trade relations between the two countries have been unfavorably affected by political friction. Italy, which formerly supplied 75 per cent of Albania's imports and absorbed 50 per cent of its exports has recently erected tariff barriers against Albanian goods. In 1931 Albanian exports to Italy totaled 7,509,000 gold francs, 1,859,908 of which covered exports of eggs; by imposing a tax on egg imports, Italy has practically strangled Albanian exports.[6] This decline in Albania's foreign trade has further unsettled the country's budget, with the result that King Zog's government has been forced to divert the Italian loan from constructive work and use it to meet the budget deficit.

BULGARIA

Bulgaria's chief problem since the World War has been adjustment of its economic system to the territorial losses suffered in 1919. Bulgaria, which had fought three wars before 1914 to obtain Macedonia only to fail on each occasion, entered the World War at the side of the Central Powers, hoping to receive Macedonia as its reward. By the treaty of Neuilly in 1919, however, Bulgaria not only lost all opportunity of access to the Aegean Sea, but surrendered several districts along its western frontier to Yugoslavia, and a portion of the Dobrudja to Rumania.[7]

Despite bitter strife between its political parties, Bulgaria has succeeded in maintaining democratic traditions. King Boris III has remained aloof from party politics and has been ready to collaborate with the party in power for the best interests of the country. The tide of communism which threatened to overwhelm Bulgaria during the first post-war years was stemmed by Stambulisky, a strong leader popular among peasants and soldiers. Stambulisky established the Agrarian party and introduced radical reforms which survived not only his murder but the overthrow of the party and exile of its leaders in 1923. The most notable of these reforms was the establishment of compulsory labor service in 1922. By the treaty of Neuilly Bulgaria was permitted to maintain only a professional army of 20,000 men in addition to its police force. Stambulisky decided to draft young men of military age for eight months' service in labor battalions, to be employed on public works projects and other undertakings the country could not otherwise have afforded. During the first

2. For an earlier study of Albania, cf. "Albania, the Problem of the Adriatic," Foreign Policy Association *Information Service*, June 22, 1927.

3. For a detailed discussion of Italy's financial control over Albania, cf. Eugene Staley, "Italy's Financial Stake in Albania," *Foreign Policy Reports*, June 8, 1932.

4. *Journal de Genève*, December 29 and 31, 1931.

4a. Cf. Staley, "Italy's Financial Stake in Albania," cited.

5. *New York Times*, January 4, 1932.

6. *Near East and India*, December 1, 1932.

7. Georges Desbons, *La Bulgarie après la Traité de Neuilly* (Paris, Rivière, 1930).

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four years of this labor service 80,000 young men were so employed, and the Ministries of Public Works and Railroads alone secured work corresponding to five million days' wages.[8]

The Democratic Entente headed by Liaptcheff, which came to power in 1926, was defeated in uneventful elections in June 1931.[9] A National Bloc was returned to power, headed by Malinoff, leader of the Democratic party. Malinoff's decision to include members of the Agrarian party in his cabinet, and permit the return of others from exile, has caused considerable friction. Nationalist elements in the country are hostile to the Agrarians, whom they regard as too radical in domestic affairs and too friendly to Yugoslavia. Conflicts between Agrarians in the cabinet have on several occasions caused the resignation of Premier Mushanoff, who succeeded Malinoff in October 1931; each time, however, Mushanoff has been reappointed, and has formed a new cabinet with only minor changes in personnel. The spread of economic depression in Bulgaria which, as a predominantly agrarian country, has suffered severely from the drop in agricultural prices since 1929, has encouraged the rise of the Independent Labor (Communist) party; this party succeeded in winning the Sofia municipal elections in 1932.[10] Alarmed by the aggressive tactics of the Communists, the government in April 1933 ousted the thirty Communist deputies who held seats in Parliament, and ruled to exclude the Independent Labor party from elective offices and public employment.

THE MACEDONIAN QUESTION

Political life in Bulgaria has always been complicated by the Macedonian question, which has not only long troubled Europe[11] but constitutes a difficult domestic problem. The population of Macedonia was for the most part Bulgarian in its sympathies, and throughout the nineteenth century collaborated with the Bulgarians in their struggle for freedom. The treaty of San Stefano of 1878 provided for a "Greater Bulgaria" which included Macedonia. Due to interference by the great powers, this treaty was replaced by the treaty of Berlin, which established Bulgaria as an independent state but left Macedonia under Turkish rule. A majority of the Macedonians never became reconciled to this settlement; they ceaselessly agitated for liberation from the Turks and, after 1919, from Greece and Yugoslavia, between which they were divided by the treaty of Neuilly. Many Macedonians—variously estimated at from 300,000 to 700,000—have sought refuge in Bulgaria, where they have joined the Bulgarian Macedonians in forming a powerful party which seeks to obtain autonomy for Macedonia. This party is divided into a legal and an extra-legal section. The latter, known as the Internal Macedonian Revolutionary Organization (IMRO) was formed as early as 1893, and has always been associated with spectacular and romantic adventures. The party has been further divided into two warring factions, the Protogueroffists and Mihailoffists, whose internecine strife has done much to discredit the Macedonian cause abroad.

The feud dates from the murder of General Protogueroff in 1928 by the Mihailoffists, who resented his conciliatory attitude toward Yugoslavia. His followers have remained favorable to rapprochement with Yugoslavia, while the Mihailoffists are working for an autonomous Macedonian state or, at the very least, for amelioration of the status of the Macedonian minority under Yugoslav rule. The conflict between the two factions became so acute in the winter and spring of 1933 that the Bulgarian press for the first time advocated army intervention to check party murders, which averaged at least one a week. The government decreed a day of martial law on June 25, 1933 in Sofia, and searched the city for stocks of unauthorized weapons.[12] Some arms were confiscated and a few persons imprisoned. The main supplies of armaments, apparently, were not discovered.

At a great Macedonian Congress, held at Gorna Djumaia in February 1933 and attended by 10,000 persons, resolutions were passed censuring the Bulgarian government for its recent opposition.[13] The Macedonians fear that, in return for some territorial or other concessions from its Balkan neighbors or for assistance from the great powers, Bulgaria will abandon the Macedonian cause. Many responsible Macedonians, however, assert that all but the most fanatical of their followers would cease to struggle for an autonomous state if only Yugoslavia would faithfully execute the provisions of the minorities treaty signed in 1919.

Bulgaria finds it difficult to adopt a strong stand against the Macedonian party and check the guerilla border activities which have drawn innumerable protests from Yugoslavia. Not only are its armed forces

8. *Le Service Obligatoire du Travail en Bulgarie* (Sofia, Imprimerie de la Cour, 1926).

9. Sir Edward Boyle, "Politics in Bulgaria," *Contemporary Review*, November 1931.

10. *Christian Science Monitor*, April 30, 1932.

11. Col. Léon Lamouche, *Quinze Ans d'Histoire Balkanique, 1904-1918* (Paris, Payot, 1928); cf. also, Ferdinand Scheville, *The Balkan Problem* (Chicago, Macedonian Independence Association, March 1931).

12. *Christian Science Monitor*, June 27, 1933.

13. *New York Times*, February 14, 1933.

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THE BALKANS

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insufficient to cope with the Macedonians, but many Bulgarian statesmen and leaders in other fields of activity are either Macedonian by birth or sympathize with the Macedonian cause. The Macedonian party, moreover, has as its object not only liberation of Macedonia from foreign domination, but establishment of an autonomous state which will include Bulgarian Macedonia. The Bulgarians have so long nurtured the dream of a liberated Macedonia that it has become part of their national ethos. They hope that some form of union can be effected between Bulgaria and Macedonia—if not by inclusion of Macedonia in Bulgarian territory, then by federation of all the South Slav peoples.[14]

ECONOMIC PROBLEMS

The standard of living in Bulgaria, 78 per cent of whose population are engaged in agriculture, has always been primitive. With the spread of the world economic crisis, however, Bulgaria has found it increasingly difficult to maintain its exports, barred from foreign markets by high protective tariffs. Production of the country's chief articles of export —grain, tobacco and attar of roses—has increased since 1930, but the prices of these products on world markets have declined so sharply that Bulgaria has been practically unable to obtain foreign exchange. The majority of the peasants are heavily in debt, and collection of either short or long-term loans has become well-nigh impossible. Currency has been so scarce, especially in the agrarian districts, that barter is the prevailing method of exchange.

Bulgarian industry is still in its infancy, and produces entirely for internal consumption. The government has sought to build up industry by means of subsidies, but industrial production has nevertheless declined for lack of demand. This policy has been criticized on the ground that state expenditures on industry have been far greater than those on agriculture, although the peasants produce most of the country's wealth. The government has since concentrated its efforts not on developing domestic industries, but on negotiating trade treaties under which Bulgarian foodstuffs could be exchanged for cheap manufactured goods imported from abroad.

GREECE

During the period 1928-1932, when Eleutherios Venizelos, Greece's most distinguished statesman, was Premier, Greece enjoyed an unusual measure of political stability. Venizelos' program was directed at economic development of the country and establishment of friendly relations with neighboring states. In March 1932 Venizelos announced that he would be forced to resign unless he could obtain additional foreign loans and a moratorium on existing ones, which would permit him to continue his financial policy. An attempt to form a coalition cabinet failed because of the refusal of M. Papanastassiou's Royalist party to cooperate,[15] and Venizelos finally resigned on May 21. M. Papanastassiou then formed a cabinet which resigned after ten days, due to lack of support by the Venizelists. Venizelos, although dissatisfied with the refusal of the League Financial Committee to recommend a new loan, was obliged to continue as Premier until general elections could be held.[16]

The campaign which preceded the elections narrowed down to a struggle between the Royalist or Populist party under Tsaldaris, and the Venizelist or Liberal party, the smaller political groups having been persuaded to join one or the other of the two principal parties to produce a definite majority. Venizelos feared that accession of the Royalists to power would involve a change in the form of government, and threatened military action to prevent such a development. Tsaldaris, however, took an oath that he would do nothing to overthrow the republican régime.

Elections were held on September 25, 1932. Venizelos, although sustaining heavy losses, retained more seats than the Royalists but failed to obtain a majority.[17] A coalition cabinet formed by Tsaldaris was defeated in the Chamber of Deputies after ten weeks in power, and Venizelos formed a new cabinet, which secured a majority of only two in the Chamber. Parliament was dissolved, and another election was called for March 5, 1933. On March 6, when it became evident that the Royalists were victorious, General Plastiras, a Venizelist, engineered a brief coup d'état, terminated by the arrival of loyal troops and the flight of Plastiras. The Populist party, headed by Premier Tsaldaris, remains in power; the efforts of some of its members, however, to impeach Venizelos for alleged participation in the Plastiras coup creates constant friction and recrimination between political leaders, and makes constructive action practically impossible.

ECONOMIC SITUATION

Greece is ill-adapted for economic self-sufficiency. Its mountainous territory offers

14. For an account of Macedonian affairs, cf. *L'Europe Centrale*, April 8, July 8, 1933.

15. *Christian Science Monitor*, March 29, 1932.

16. *New York Times*, June 4, 1932.

17. *Near East and India*, October 6, 1932.

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relatively little space for grain production, with the result that, unlike other Balkan countries, it must import grain from abroad. Greek exports consist of currants, raisins, wines and tobacco, all of which have sharply declined in price. Growing economic depression has led to strikes and riots, usually attributed to Communists, not only among the unemployed, but on the part of government employees in such services as posts and telegraphs, where wages have been greatly in arrears.

The country's financial condition has been severely undermined by the decline in foreign trade, cessation of German and Bulgarian reparation in 1931 following the Hoover moratorium, decrease in remittances from Greeks abroad, and Great Britain's abandonment of the gold standard.[18] Not only had Great Britain been an important purchaser of Greek products, especially currants, but a large part of the reserves of the Bank of Greece consisted of pounds sterling. Confronted by this financial crisis, the government lowered the salaries of officials and the army, reduced military service to one year, and abolished two army corps.[19] Purchase of foods made from imported grains was restricted, and the population was required to buy domestic products. Customs duties were increased tenfold in December 1931,[20] and various trade restrictions were imposed on countries with which Greece had no trade agreements. Despite these measures, Greece was forced to abandon the gold standard in April 1932.

RUMANIA

Rumania, which in 1915 was a small country with a population of about eight million, emerged from the World War—which it had entered at the side of the Allies in 1916—with its territory more than doubled and its population increased to over 17 million. Rumania's new territories included several racial minorities, the most important of which are Hungarians, Bulgarians and Bessarabians. The presence of these minorities has raised a number of serious problems, solution of which has occupied the Rumanian government since 1919.[21]

Rumania's post-war political life has been marked by consolidation of a two-party system—the Liberal party, headed by the Bratianus and Duca, and the National Peasant party formed by amalgamation of Maniu's National Transylvanian party and Michalache's Peasant party.[22] Changes of government and general elections have been frequent, particularly since the death of Ion Bratianu in 1927. King Carol has tried to obtain a national government, but party differences have proved irreconcilable, and the best the King could secure was a non-party cabinet under Professor Iorga, which held power from April 1931 to June 1932, when criticism of its financial measures caused its downfall. Vaida-Voevod, associated with Maniu in leadership of the National Peasant party, formed a cabinet which fell in August 1932, largely due to a conflict between the Premier and M. Titulescu, Rumania's most distinguished diplomat. M. Titulescu bitterly opposed the conclusion of a non-aggression pact with the U.S.S.R. unless the Soviet government explicitly acquiesced in Rumania's annexation of Bessarabia.[23] Maniu reconstituted the cabinet with Titulescu as Foreign Minister, but resigned at the end of the year when King Carol refused to sanction dismissal of the Bucharest Prefect of Police and the Commandant of Gendarmerie, and Vaida-Voevod was once more recalled. While these shifts unsettled political life, they produced no marked change in policy as the National Peasant party was continuously in control of the government after the general elections of 1932. On November 12, 1933, however, Vaida-Voevod resigned and Duca, leader of the Liberal party, formed a cabinet which, except for M. Titulescu, was composed entirely of Liberals.

Meanwhile, a strong Fascist party has appeared in Rumania.[24] This party is definitely anti-Semitic, and attacks on Jews, engineered by the radical section of the party—the "Iron Guard"—under the leadership of Professor Cuza, have increased in frequency. Following a series of raids and riots, the Duca cabinet decided on November 22 to deal severely with Fascist and other reactionary tendencies. Communist activities have also become widespread, owing to general dissatisfaction with the country's economic conditions.

Although Rumania is the most industrialized of the Balkan states, agriculture continues to play a predominant part in its economy. In 1932, 40 per cent of the country's income was drawn from industry and 60 per cent from agriculture. With the decline of Rumania's exports, the most im-

18. *The Economist*, November 7, 1931.
19. *Near East and India*, December 29, 1932.
20. *Christian Science Monitor*, February 4, 1932.
21. For developments in Rumania before 1928, cf. "Post-War Rumania," Foreign Policy Association *Information Service*, February 3, 1928.
22. For an account of Rumanian politics, cf. J. S. Roucek, *Contemporary Roumania and Her Problems* (Stanford University Press, 1932).
23. Cf. Vera M. Dean, "The Soviet Union as a European Power," *Foreign Policy Reports*, August 2, 1933.
24. *New York Herald Tribune*, April 2, 1933.

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portant of which is oil, industry suffered a serious setback. Many plants failed to pay workers for months in the winter of 1932-1933. Strikes and riots broke out on a large scale; martial law, proclaimed in February, remained in force for about six months.[25]

YUGOSLAVIA

Yugoslavia is faced by far more difficult political problems and much wider internal unrest than any of its Balkan neighbors. The formation in 1918 of the Kingdom of Serbs, Croats and Slovenes, composed of Serbia, Montenegro and former Austro-Hungarian provinces—Croatia, Slovenia, Bosnia, Herzegovina and Dalmatia—failed to satisfy the age-long aspirations of South Slavs for political union. In the new state, whose framework was defined by the constitution of 1921,[26] Serbia, which for centuries had struggled for the liberation of South Slavs from Austro-Hungarian rule, assumed political leadership. The Croats and Slovenes, although vigorously opposed to the Hapsburg yoke, felt that the cultural traditions they had developed in a Western state entitled them to political equality with the Serbs, whom they regarded as little more than barbarians.

THE 1931 CONSTITUTION

Conflicts between Serbs on the one hand, and Croats and Slovenes on the other reached a climax in 1928, when several Croat leaders were shot in the *Skupshtina* (National Assembly) by a Serb deputy. Confronted by a political crisis which threatened to disrupt the country, King Alexander proclaimed a dictatorship in January 1929[26a] and appointed General Pera Zhivkovitch, a non-party military man, as premier. The dictatorship was intended to give the government an opportunity for political reorganization. The country was divided into new administrative districts, and its name was officially changed from the Kingdom of Serbs, Croats and Slovenes to Yugoslavia. Numerous other reforms were inaugurated for the purpose of creating a government which, while centralized in Belgrade, would no longer be based on old racial and regional subdivisions. The Serbs, who at first favored these administrative reforms, later argued that they interfered with democratic institutions. On September 3, 1931 the government promulgated a constitution which provided some elements of parliamentary rule.[27] The King declared that this constitution represented a first step toward the establishment of constitutional government, but public opinion generally regarded it with skepticism.

The King had hoped that under the 1931 constitution new political leaders, free from the influence of personal and regional animosities, would come to the fore. Restrictions on freedom of speech, public meetings and electoral tickets are so stringent,[28] however, that opportunity for developing new political leadership has been severely limited, and control of the opposition has undergone little change. Despite frequent cabinet realignments since September 1931, no advance has been made toward constitutional government or reorganization of the state into a federation which would satisfy the political aspirations of the various peoples under Yugoslav rule. Meanwhile, the government's policy of extreme centralization and ruthless Serbization has created profound discontent among national minorities. Demonstrations and peasant riots have occurred not only in Croatia and Slovenia, but Dalmatia and Bosnia. Serious uprisings in the Lika district of Croatia were reported in 1932, but these reports were denied or minimized by the official press.[29] Growing opposition to the existing system has also been expressed by Serbs, notably students, who have staged riots at the University of Belgrade.[30] The government has invariably met all opposition by measures of repression.

That all political groups in Yugoslavia desire some form of federation was indicated in November 1932, when the Croatian party, under the leadership of Dr. Matchek, issued a manifesto known as the "Zagreb Five Points" demanding a federation of autonomous states.[31] Far from arousing opposition on the part of the Serbs, this manifesto caused the leader of the Serb Democrats, Davidovitch, to demand federalization with complete autonomy of the various national groups in internal affairs. The Serb Radical Democrat and Farmer parties, moreover, did not hesitate to protest against the arrest and banishment of Dr. Matchek and Father Koroshetz, head of the Slovene party, who with many others were arrested after circulation of the Zagreb manifesto. Dr. Matchek was

25. *New York Times*, February 3-22, 1933.
26. For an account of post-war Yugoslavia, cf. C. A. Beard and George Radin, *The Balkan Pivot: Yugoslavia* (New York, Macmillan, 1929).
26a. *Near East Year Book, 1931-1932.*
27. The constitution provided for a *Skupshtina* (National Assembly) consisting of two chambers, guaranteed individual liberty, freedom of association, religion and the press, but prohibited tribal or regional associations designed to form political parties. For a summary of the Yugoslav constitution, cf. Frederic A. Ogg, "Yugoslav Dictatorship Ends," *Current History*, October 1931; Langsam, *The World Since 1914*, cited, p. 571.
28. For electoral and party laws, cf. *Near East and India*, October 1, 8, 1931.
29. *Christian Science Monitor*, March 29, 1930, April 2, 1932.
30. *New York Herald Tribune*, May 15, 18, 1932.
31. *New York Times*, November 18, 1932.

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finally tried for treason in April 1933 and condemned to three years of strict imprisonment, despite his assertion that he was only working for reorganization of the existing state and not, as claimed by the government, for Croat secession. This sentence further discredited the Belgrade government with Yugoslav liberals.[32] While reports that all opposition parties had agreed on a common program have proved groundless, the absolutism of the Belgrade régime has undoubtedly fostered the growth of republican sentiment, which may lead to the formation of a Republican party.

Internal dissensions have increased Yugoslavia's fear of external attack. Reports that Italy was encouraging schemes for Croat secession, with the ultimate objective of absorbing a liberated Croatia, were current in 1932-1933. It is generally recognized that, if Yugoslavia is to maintain its position in foreign affairs, it must achieve internal consolidation along federal lines, probably under the leadership of King Alexander who, despite his absolutism, remains personally popular with the masses.

The post-war period has been marked by considerable material improvement in Yugoslavia. On the initiative of the central government, cities have been modernized, new public buildings erected, roads built throughout the country, and progress made in public health. The world economic crisis, however, has not failed to affect Yugoslavia. Foreign trade has sharply declined both in volume and value, and industry, which depends on imports of raw materials, has suffered a serious slump.

BALKAN FINANCIAL PROBLEMS

The five Balkan countries have undergone profound financial disturbances as a result of the depression. The sharp decline in the value of their principal exports—livestock and agricultural products — has depleted their reserves of foreign exchange and reduced their purchasing power. The predominantly agrarian character of their economy has saved them from the severity of the crisis suffered by industrialized states. Their finances, however, have been seriously affected; they have lived from hand-to-mouth on foreign loans, and are now confronted with the problem of obtaining sufficient foreign exchange to pay interest and amortization charges on these loans. Owing to the huge program of public works inaugurated by Venizelos, Greece has incurred the largest public debt of all the Balkan countries. Greek loans were either obtained in Great Britain or guaranteed by the League of Nations. Bulgaria's principal loans—the Refugee and Stabilization loans — were granted under League auspices, Rumania and Yugoslavia have obtained financial assistance from France, and Albania from Italy.

To protect their reserves of gold and foreign exchange, the Balkan countries have drastically restricted exchange transactions, and Bulgaria has inaugurated complete control of imports and exports through the National Bank. Despite these efforts, they have all defaulted on payments to foreign creditors —Bulgaria and Greece in the spring of 1932, Yugoslavia in November of that year, and Rumania in the summer of 1933. With the consent of the League, Greece suspended redemption service on its loans, reduced interest on international loans by 25 per cent, and paid only 30 per cent on foreign debts, the balance being paid into a blocked account in drachmas. Despite these measures, Greece's financial situation showed so few signs of improvement that in March 1933 the government requested the League Financial Committee to investigate its finances.[33] The League experts recommmended that Greece should incur no further debts, should endeavor to live within its resources, and should reduce its budget from about 10 billion drachmas in 1930-1931 to less than 7 billion.[34]

Bulgaria has arranged to pay 25 per cent of the interest and sinking fund on its foreign debts in foreign exchange, the rest being paid into a blocked account in the National Bank, to be apportioned at the direction of a League representative. This representative, appointed to supervise fulfilment of the provisions of the Refugee and Stabilization loans, must be consulted regarding all projects of fiscal legislation which might in any way alter the country's financial position.[34a]

Rumania had hoped to avoid a transfer moratorium by securing new foreign loans. The report which M. Charles Rist, French adviser to the Rumanian National Bank, published in the spring of 1932, however, was so critical of Rumania's financial administration that the government found it impossible to obtain foreign financial assistance.[35] In January 1933 Rumania agreed to accept League supervision of its finances. The government, however, objects to the

32. *Ibid.*, March 14, April 30, 1933.

33. *Ibid.*, March 30, 1933.

34. League of Nations, Financial Committee, *Report to the Council on Greece*, C.387.M.194.1933.II.A., Geneva, July 8, 1933.

34a. League of Nations, *Twenty-Seventh Report of the Commissioner of the League of Nations in Bulgaria*, C.383.M.189.-1933.II.A.

35. "Le rapport de M. Rist sur les finances roumaines," *L'Europe Nouvelle*, June 18, 1932.

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presence of a League adviser in Bucharest, and has failed to reach an agreement with foreign bondholders.

The League Financial Commission has urged the Balkan countries to balance their budgets and effect drastic economies. These recommendations have been followed by Bulgaria, but Rumania and Greece have as yet failed to reduce their expenditures in accordance with League advice. In addition to budgetary economies and foreign exchange restrictions, the Balkan countries have sought to improve their finances by conversion of agricultural debts and various schemes for raising the price of cereals. Bulgaria declared a moratorium on private debts in the summer of 1933, and fixed the maximum rate of interest at 10 per cent. The Rumanian conversion law, drafted by the Finance Minister, Argetoianu, and passed in March 1932, granted an almost complete debt holiday. Another bill was passed in April 1933,[36] granting a five-year moratorium on both urban and agricultural debts. Yugoslavia declared a partial moratorium in April 1932. The government also extended the term of payment on agricultural debts, and granted assistance to the banks.

Various schemes have been introduced to raise the price of cereals, the principal product in all Balkan countries. Bulgaria established a state monopoly for the purchase and sale of grain in January 1931. This monopoly bought grain at prices higher than those prevailing in the market, paying 70 per cent in cash and the balance in bonds which were accepted in payment of taxes, then sold the grain above market prices. Rumania has experimented with a similar arrangement. In September 1933 it inaugurated a wheat monopoly, which purchases wheat at a price 30 per cent higher than that prevailing in the world market, making up the difference by a tax at the mill. Yugoslavia established a grain monopoly in 1931; this monopoly has the exclusive right to import and export wheat, rye and wheat flour, and fixes a minimum domestic price for these products, usually three times higher than the prevailing market price. The Yugoslav grain monopoly encouraged the peasants to expand their wheat acreage, and the government was unable to purchase the increased amount of wheat, with the result that it suffered a serious deficit; the wheat subsidy was consequently abandoned in April 1932.

FOREIGN POLICIES OF THE BALKAN STATES

The conclusion of the Four-Power Pact, signed on June 7, 1933 by Great Britain, France, Italy and Germany, at first alarmed the small powers in Eastern and Southeastern Europe, which feared that the "big four" would attempt to settle their differences outside the League of Nations at the expense of their lesser satellites. The first effect of the pact, however, was to facilitate a Franco-Italian rapprochement, which somewhat relaxed existing tension between Italy and France's ally, Yugoslavia. The political realignments precipitated by Hitler's victory in Germany and France's acceptance of the Four-Power Pact have alarmed the Little Entente which has not only strengthened its organization, but has sought the cooperation of the Soviet Union and of its former enemy, Bulgaria.[37]

At the World Economic Conference in July 1933 Czechoslovakia, Rumania and Yugoslavia, none of which have recognized the Soviet government, concluded a pact with the Soviet Union, containing a broad definition of the term "aggressor."[38] This pact has served to decrease Rumania's fear that the Soviet Union might use force for recovery of Bessarabia, a Russian province which Rumania seized in 1918. Both Rumania and Yugoslavia, convinced that they must rely on their own efforts rather than on France if they wish to achieve security, have also attempted to develop amicable relations with Bulgaria; the success of these negotiations, however, depends on the willingness of the two Little Entente powers to meet Bulgaria's demand for territorial concessions in the Balkans. Finally Greece and Turkey, which have led the movement for Balkan cooperation, concluded a ten-year pact of amity and non-aggression on September 14, 1933, and have since sought to develop it into a Black Sea pact, which would include Bulgaria and Rumania.[38a] On the other side of the ledger, German and Hungarian demands for revision of the Versailles settlement have strengthened revisionist sentiment in Bulgaria, and the success of the Nazis has encouraged the growth of Fascist groups in Balkan countries, notably Rumania.

Bulgaria, which suffered heavy territorial losses as a result of the World War, is the most discontented of the Balkan powers, and believes that revision of the treaty of Neuilly alone can assure its economic development. The Bulgarian government is particularly anxious to secure an outlet to the Aegean

36. *The Economist*, June 3, 1933.

37. *New York Times*, October 1, 1933.

38. Cf. Dean, "The Soviet Union as a European Power," cited. Czechoslovakia has recognized the Soviet government *de facto*, but not *de jure*.

38a. Cf. "Balkan Comings and Goings," *The Economist*, November 11, 1933, p. 906.

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Sea. Unwilling to accept Greece's offer of a port under international control which could be reached only through Greek territory, Bulgaria demands territorial readjustment in Thrace, which would give it a railway corridor and control of either Kavalla or Dedeagatch on the Aegean. Greece, however, has hitherto refused to make territorial concessions in this region. Bulgaro-Greek relations have also been envenomed by Bulgaria's assertion that Greece had failed to protect the rights of Macedonians under the minority treaties. The Caphandaris-Molloff agreements provided for the emigration of a large number of Bulgarians from Greece to Bulgaria, and Greece undertook to compensate Bulgarian emigrés for their property on Greek soil. In 1931, when Bulgaria under the Hoover moratorium terminated reparation payments to Greece, the Greek government suspended payments due under the Caphandaris-Molloff agreements. Bulgaria protested on the ground that these agreements covered private debts incurred since the World War, and the dispute was submitted to the League of Nations, which referred it to the World Court.[39] The latter recommended in 1932 that the two countries settle the dispute by direct negotiations, but little progress has as yet been made toward settlement.

Bulgaria's relations with Yugoslavia have been marked by intense bitterness. The Bulgarian government constantly protests against the treatment accorded to Macedonians in Yugoslavia, and border clashes are of frequent occurrence. The Bulgaro-Yugoslav border is fortified and heavily guarded to prevent Macedonian raids into Yugoslavia, and only one point is left open for the transit of passengers and freight. A mixed commission appointed in 1930 to settle various properties along the border is now working to develop some form of border control acceptable to both countries.

Confronted by these territorial and minority problems, Bulgaria has consistently declined to accept Balkan pacts guaranteeing the territorial *status quo*. Its refusal to adhere to the Greco-Turkish pact of September 14, 1933 was apparently due to the fact that in this pact Turkey guaranteed the present boundaries of Greece.

Albania, which claims that about 600,000 Albanians in Yugoslavia are deprived of their cultural and political rights, has aligned itself with Bulgaria on the minorities question. Italy's conflicts with Yugoslavia have developed Albania's fear of Yugoslav invasion. Yugoslavia, in turn, believes that Italy will use Albania as a base for incursions into Yugoslav territory. That the recent decline of Italian prestige in Albania may lessen tension in this region was indicated by the conclusion of a commercial treaty between Yugoslavia and Albania in 1933.

Relations between Greece, Yugoslavia and Rumania, all of which emerged from the World War with substantial territorial gains, have been distinctly friendly in character. Greece has championed Balkan cooperation, has been willing to trust its security to arbitration pacts with its neighbors, and has reduced both its army and its military expenditures. In 1929 it concluded a pact of conciliation and judicial settlement with Yugoslavia, followed by a pact of friendship with Turkey in 1930, which was reinforced in 1933 by a ten-year non-aggression pact.[41] It has also concluded commercial treaties with Albania[42] and Yugoslavia,[43] giving these countries a much-needed outlet for their agricultural products. Rumania and Yugoslavia, partners in the Little Entente, have shown readiness to arbitrate all differences which have arisen between them over such questions as treatment of the Rumanian minority in Yugoslavia.[44] In July 1930 the two countries appointed a permanent commission which will supervise the marketing of cereals, conclusion of commercial, veterinary and railway agreements, amicable liquidation of all questions in litigation and negotiations for a customs union.[45] Recent negotiations between the three Little Entente powers for consolidation of their foreign policies may also lead to their reorganization into a single economic unit.[46]

EFFORTS AT INTER-BALKAN COOPERATION

The Balkan Conference held at Athens in 1930[47] constituted the first important effort to secure common action by the Balkan powers. This conference was organized under the auspices of the International Peace Bureau, and the delegates, although unofficial in character, represented all fields of activity in the Balkan countries. A permanent organization was set up for the purpose of encouraging Balkan cooperation in economic, political, social and cultural matters. The organs of the "Balkan Confer-

39. Permanent Court of International Justice, Series A./B., Judgments, Orders and Advisory Opinions, *Interpretation of the Greco-Bulgarian Agreement of December 9, 1927* (Caphandaris-Molloff Agreement), Fascicule No. 45 (Leyden, Sijthoff's), March 8, 1932.

41. *New York Times*, September 15, 1933.

42. *Near East and India*, July 27, 1933.

43. *Ibid.*, August 10, 1933.

44. *Near East and India*, December 29, 1932.

45. *Christian Science Monitor*, April 3, 1933.

46. *New York Times*, September 24, 1933.

47. Cf. MacCallum, "Recent Balkan Alignments," cited.

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ence," which is held annually, are a general assembly, a council and a secretariat. Each of the Balkan countries, moreover, has organized a national group which endeavors to stimulate public interest in the cause of Balkan cooperation.

The Athens conference decided to study the possibilities of drafting a Balkan pact which would provide for outlawry of war, settlement of all disputes by pacific means, and mutual assistance in case of aggression. The two conferences held at Istanbul in 1931 and Bucharest in 1932, however, made little progress in that direction. The Bulgarian delegation refused to accept any pact of friendship, neutrality and arbitration until the question of Macedonian minorities had been settled and finally withdrew from the conference, followed by the Albanian delegation. Rumania eventually prevailed on the Bulgarians and Yugoslavs to meet in January 1933 for discussion of the minorities question. Although this meeting failed to materialize, the Bulgarians agreed to return to the conference, as their withdrawal had been followed by the establishment of a bureau which will receive minority complaints, and either adjust them, if possible, or refer them to the League of Nations. A draft project for the establishment in all Balkan states of commissions which would supervise treatment of minorities, presented by the council to the 1932 Balkan conference, failed of acceptance because of Yugoslav opposition. In 1933 the Greek Chamber of Deputies sent out a letter urging the various Balkan governments to accord effective support to the work of the Balkan conference and the application of its proposals[48]—a development which is regarded as encouraging for the cause of Balkan cooperation, as this is the first time a government has officially displayed an interest in the work of the conference. The fourth Balkan conference was held at Salonika from November 5-10, 1933 and a commission was appointed to work out a plan for a limited Balkan customs union.

CONFERENCES OF AGRARIAN STATES

The Balkan countries have undertaken collaboration of a more far-reaching character at conferences of the agrarian states of Eastern and Southeastern Europe.[49] The first of these conferences, held at Warsaw in August 1930, was attended by delegates from Bulgaria, Rumania, Yugoslavia, Czechoslovakia, Hungary, Poland and the Baltic states.[50] At the second conference, held at Bucharest in October 1930, these states decided to form an agrarian bloc, to coordinate their policies with respect to agricultural production and marketing, to press for preferential agreements with industrial countries, and to seek the cooperation of the League of Nations. A permanent committee was set up, which met at Bucharest in 1930 and Belgrade in 1931. Moreover, the Ministers of Agriculture of Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia held a meeting at Sofia in December 1931, and in June 1933 the third conference of the agrarian bloc was held at Bucharest.

In the summer of 1932 the agrarian states succeeded in bringing their plight to the attention of the Lausanne Reparation Conference, which summoned a conference at Stresa to study methods of alleviating the agrarian crisis in Eastern and Southeastern Europe. This conference, which met in September 1932, was attended by delegates from seventeen states.[51] The Stresa Conference condemned the policy of restrictions on trade or exchange and passed resolutions for the revalorization of cereals and the formation of a Monetary Normalization Fund. The revalorization of cereals was to be achieved by selling wheat abroad above the market price. This would be effected either through bilateral agreements or by means of a fund raised by contributions of the consumer countries. According to this scheme, the higher price obtained in the foreign market would automatically increase the internal price, and the agricultural countries would be able to dispose of their entire normal production. No action, however, has yet been taken with respect to these recommendations. In the wheat agreement signed at London on August 25, 1933 by representatives of twenty governments, Bulgaria, Hungary, Rumania and Yugoslavia agreed that their combined wheat exports in 1933-1934 will not exceed 50,000,000 bushels, and recognized that acceptance of this export allocation will not allow any extension of their wheat acreage.[52]

48. *Near East and India*, September 21, 1932.
49. Files of *La Bulgarie*.
50. Cf. Vera M. Dean, "European Efforts for Economic Collaboration," *Foreign Policy Reports*, August 19, 1931.
51. League of Nations, *Work of the Stresa Conference for the Economic Restoration of Central and Eastern Europe*, C.666.M.321.1932.VII.; also *ibid.*, Commission of Enquiry for European Union, *Minutes of the Sixth Session of the Commission*, C.724.M.342.1932.VII.
52. League of Nations, Conference of the Wheat Exporting and Importing Countries, *Final Act* (Geneva, September 21, 1933), C.511.M.256.1933.II.B.

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